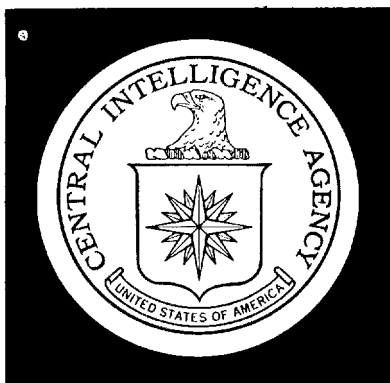


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USSR - Middle East: The Soviets appear to be increasingly disturbed about the tense situation in the Middle East and the absence of significant progress toward a political settlement.

The Middle East was the only topic discussed in a rare press conference held by the Ministry of Foreign Affairs in Moscow on 31 October. Ministry spokesman Leonid Zamyatin charged that the bilateral talks with the US have not produced tangible results because of the "unbalanced US approach." Zamyatin urged the fastest possible resumption of the four-power talks at the UN and expressed the hope that these would produce "positive results" without delay.

Recent statements by Soviet officials, including Zamyatin, confirm Moscow's apprehension over the Lebanese crisis and its desire to dampen tensions in the area. In addition to interceding with Syria in attempts to calm the situation, the Soviets have publicly endorsed mediation efforts currently under way in Cairo. Despite real concern over the crisis, however, the Soviets have exploited it for propaganda purposes by accusing the US and Israel of interfering in Arab affairs and by warning the US not to intervene.

The Lebanese situation has also drawn attention to the relationship between Moscow and the fedayeen. Zamyatin ignored the fedayeen in his prepared statement and, in answer to a question, emphasized that the USSR aids only Arab countries. He did, however, justify the liberation efforts of Arabs in the occupied territories. The guerrillas' evident immunity to outside control during the Lebanese crisis is likely to lead Moscow to be cautious regarding future support for the fedayeen.

Moscow's attacks on the bilateral talks with the US may be part of a continuing diplomatic tactic to force the US to make concessions, as well as

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grist for the Soviet propaganda mill in the Middle East. It is also possible, however, that the attacks signify Soviet belief that the bilateral talks--which Zamyatin confirmed would continue--have gone as far as possible and that the negotiating initiative should now return to the four-power arena.

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India: The ruling Congress Party is again close to a formal split.

The power struggle between Prime Minister Gandhi and the old guard party leaders came to a head this weekend. Mrs. Gandhi's supporters maintain they have gathered enough signatures on a petition to force the party's governing working committee to activate machinery designed to topple old-line President Nijalingappa from office. The President's faction retaliated by summarily dropping several of Mrs. Gandhi supporters from the 21-member committee. They then called a rump meeting of the group which declared the Prime Minister's petition "out of order." The old guard appears to have a slim majority on the working committee, but Mrs. Gandhi's supporters predominate in the All India Congress Committee, a much larger body to which the working committee is responsible.

Despite mutual recriminations, neither group has acknowledged that the party is formally divided. Both factions realize that a split would endanger the party's 23-seat majority in parliament. If a split occurs, the single-party Congress government could fall when parliament reconvenes on 17 November. Mrs. Gandhi may believe she could form a new government backed by a majority of Congress legislators and leftist parties, but she might prefer immediate elections to capitalize on her increasing personal popularity with the electorate. Meanwhile, a group of state leaders, representing both factions, are attempting to mediate, but there is no sign yet of either side backing down.



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European Communities: The revaluation of the German mark will pose fewer complications for the Common Agricultural Policy (CAP) than had been feared.

At its meeting last Monday, the Council of Ministers rejected Bonn's initial request that its farmers be protected principally by a system of border taxes. These taxes would have had the effect of isolating West Germany, as well as France, from the common agricultural market.

Instead, the Council decided to allow the Germans to tax agricultural imports for only six weeks. After that, the German farmers will receive direct income support payments, the cost of which will be shared for two years by Bonn and the Community.

The Germans, generally satisfied with the outcome of the Council meeting, were especially pleased by the acceptance of the principle that the Community bears some of the responsibility for compensating German farmers. The measures adopted may also help avoid any further tampering with the system of common prices on which the whole CAP rests.

The Council's preoccupation with the adjustments for Germany prevented it from dealing effectively with the other difficult agricultural issues it had planned to tackle, and hard bargaining is certain in the weeks ahead. Germany and Italy remain intent on seeking a reduction in the enormous costs of the CAP and on redressing somewhat the disproportionate benefits that France derives from the policy. The two countries may have to make some concessions to the French, however, to obtain their agreement to open negotiations with the British concerning their bid for community membership.

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Panama: The government may seek military equipment from European sources.

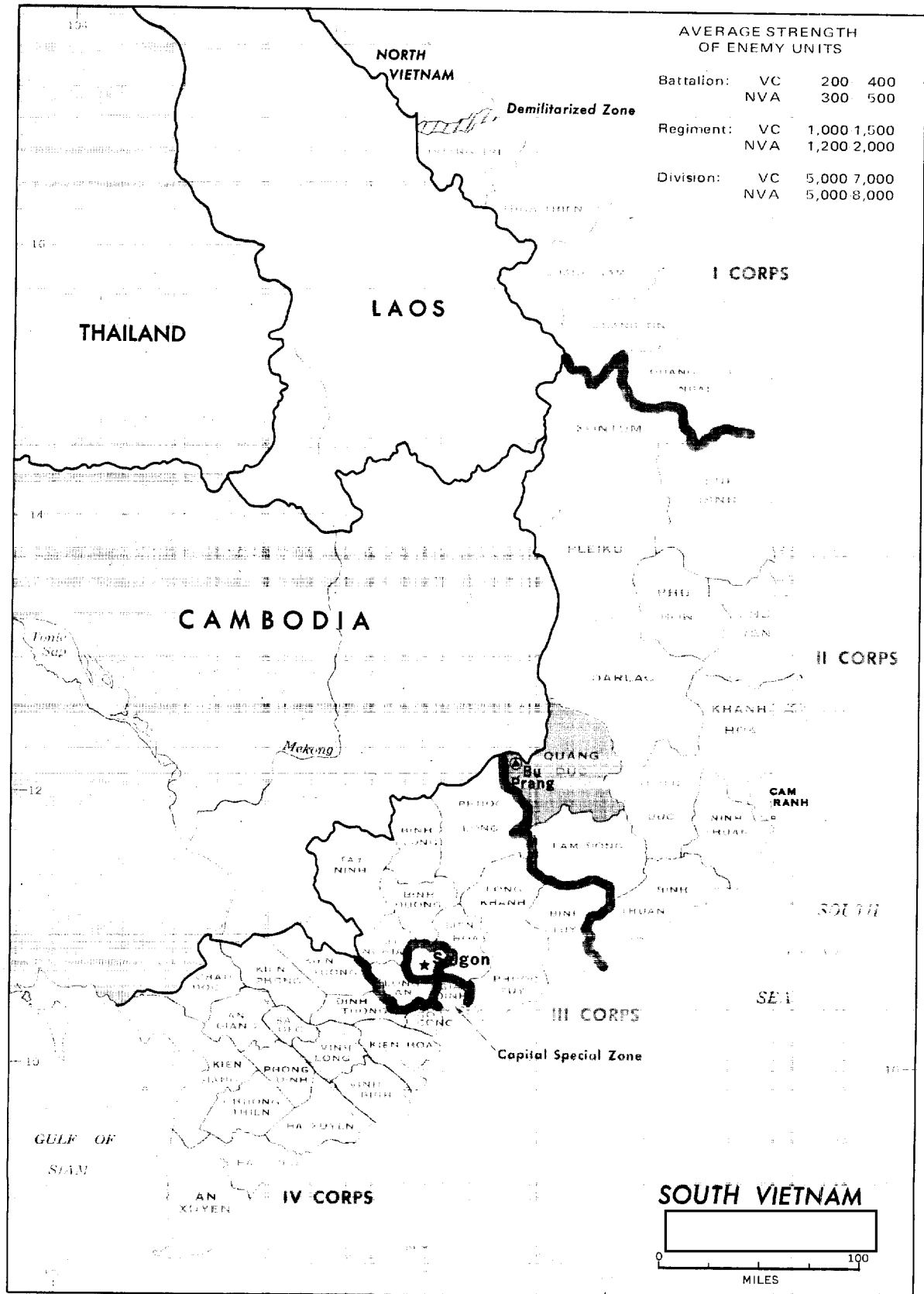
Panama has been trying unsuccessfully to obtain from the US four T-28 aircraft and two UH-1 helicopters to strengthen its eleven-month-old air unit. Junta strongman General Torrijos, an enthusiastic air-force supporter, has taken a personal interest in the acquisition of these aircraft.

Top Panamanian Air Force officials have expressed concern over the delay in getting export licenses from the US to buy the T-28s. They also said that Torrijos was promised the helicopters during his recent visit to the US and that he wants them immediately. The air force commander stressed Panama's desire to get military equipment, training, and advice from the US but added they would go elsewhere if necessary.

Torrijos has previously indicated a willingness to extend the Rio Hato Base Agreement when it expires in August 1970. If there is an extended delay in receiving the aircraft, he may be tempted to link continued US use of this military installation with favorable action on his request for military equipment.

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South Vietnam: Communist troops have unleashed the heaviest attacks in weeks against allied artillery outposts near the Cambodian border in Quang Duc Province. The enemy began pouring heavy rocket, mortar, and artillery fire into allied positions flanking the Bu Prang special forces camp late on 30 October. North Vietnamese infantrymen also launched ground attacks against allied troops operating in the area. In the wake of the action, three friendly support bases have been evacuated, but casualties are reported to be relatively light. [REDACTED] (Map)

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Lebanon: The cease-fire between the Lebanese Army and Arab fedayeen in Lebanon, agreed upon by the negotiators in Cairo over the weekend, sets the stage for negotiations on what fedayeen activity will be permitted in Lebanon. A specific arrangement may take some time to hammer out, and a successful outcome is not ensured. Fatah leader Arafat is pressing for full freedom of action for the fedayeen. Lebanese authorities will want to maintain some control of the fedayeen in order, hopefully, to minimize the danger of Israeli retaliation which is certain to follow an increase in fedayeen activities. Arafat is likely to try to strengthen his negotiating position through the threat of resuming incidents in Lebanon and by exploiting the support initially accorded him by most of the Arab states. [REDACTED]

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(continued)

USSR: A recent sighting of a Y-class ballistic-missile submarine under tow near Vladivostok confirms that the Soviets are building these units at the Komsomolsk shipyard in the Far East. This is probably the first Y-class to be built at Komsomolsk, and it was apparently en route to Vladivostok for fitting out. About 11 of these ballistic-missile submarines have been launched at the other Y-class shipyard at Severodvinsk on the White Sea.

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